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An organization which seeks to abolish the profit system in order to develop a classless society based upon the obligation of mutual service.

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ORGANIZED POVERTY—WAR—FASCISM

Our June Bulletin announced a series of Regional Conferences, to be held this year under our auspices, on Methodists and the Crisis. We described the crisis as "the breakdown of the profit system" which "becomes daily more threatening" at three major points: (1) The continuing drop in the standard of living for millions . . . and the formation of a standing army of unemployed . . . (2) Approaching war and increasing war preparations . . . (3) The emergence of American Fascism . . . We outlined a tentative program for the Conferences and suggested a few books and pamphlets to be read in preparation for them. We now add summaries of some current articles and press items.

ON UNEMPLOYMENT AND POVERTY

Figures on Unemployment. From Wm. P. Mangold's column, *New Republic*, September 11th. Estimates of unemployment made by four organizations—the National Industrial Conference Board (serving employers), the Alexander Hamilton Institute (serving investors), the A. F. of L., and the (left-wing) National Research League—show differences as to number unemployed, but agreement as to the trend. The figures of each taken for March, 1933, October, 1933, and July, 1935, show (1) that there was a drop in unemployment in the first six months of the New Deal administration, ranging from $3\frac{1}{2}$ to 4 million; (2) that there has been an increase in unemployment since October, 1933, ranging from 100,000 to a million. (The respective figures for July, 1935, are, N. I. C. B., 10,015,000; A. H. I., 13,019,000; A. F. of L.—June estimate—11,000,000; N. R. L., 14,210,000.) Add this: "Since April there has been a steady decline in the employment index of the Dept. of Labor until now (July report) it is back to where it was . . . in September and October of 1933."

"The Road to Destitution—Why 20,000,000 Need Relief." By C. Hartley Grattan, *Harpers*, June. Of our estimated 13,000,000 unemployed about half are on relief—with their dependents, about 20,000,000. Are those on relief inferior? "If some can weather the storm, why not all?" Specific data quoted indicate that such factors as more or fewer wage earners in the family, a longer term of unemployment by the wage workers and the presence of children and their number are factors that bring the unemployed to the relief office; that the relief persons, as shown by their work histories, are about as employable as non-relief workers; that though the former work for one employer on the average a shorter time than the latter, this may be simply an exigency of the job. The great majority of relief cases resist asking for help just as long as possible.

The steps downward are (1) exhaustion of possible resources—savings, insurance policies, etc. (2) economies: medical care—by omitting it altogether; food—by the substitution of more filling foods for more nutritive; clothing—by omitting replenishment; living quarters—by a "retreat downward in the standard" and doubling up. (3) Accumulation of obligations—borrowing, postponing, running up bills. Relief is "the maintenance of destitution on a minimum food, clothing, shelter basis." "If our economy has definitely turned its nose downward . . . we must face the prospect of a permanent relief population . . ." in which, moreover, "clerical, professional and proprietary groups" are a part "in rising proportions."

Work and Relief. President Roosevelt says that "we must quit this business of relief." He has set work relief wages at \$19 to \$94. The cost of living goes up steadily. Figures on food prices just released by the Department of Labor show that price boosts in eggs, meats, dairy products, fats and oils, raised the food index on August 27th, 6/10 of 1% higher than on August 13th; 6.7 higher than a year ago; 14.9 higher than in 1933. (*Federated Press*,

Sept. 12th.) Farm wages according to the Department of Agriculture range from 70c a day in South Carolina to \$2.55 in Massachusetts; an average of \$1.41 for the whole country, without board. So many reports came in of agricultural states throwing clients off the Federal relief rolls if they refused to take farm work offered that the FERA has sent out investigators. There is now much propaganda to the effect that relief folk don't want work. (For example, General Bullard in Hearst press.) Social workers say that if work is refused it is usually because: wages offered are even less than the extremely inadequate relief; conditions—in the berry fields for instance—are intolerable; and tape makes it hard to get back on relief when the short-time job ends. (See editorial *Nation*, August 7; article by Katherine Blair, in *mid-monthly Survey*, August; and summary by Charles Kelly in *Labor*, (Washington, D. C., July 30.)

"What Happened to Farm 'Income'?" Summarized from June *Facts for Farmers* in August *Economic Notes* of Labor Research Association, (799 Broadway, N. Y.). Farm income increased \$907,000,000 in 1934, over 1933, but is still \$5,000,000,000 less than it was in 1929. The increase came largely from AAA payments which were made out of processing taxes—and were thus passed on to the consumer. The increase was absorbed approximately as follows: 23.4% by higher prices on production goods (farm machinery, etc.); 19.7% by higher prices of consumption goods; 50.6% by back taxes and mortgages; 2.2% by the added sales tax; the rest, 4.1%, by higher living costs. About 39 farmers out of every thousand in 1934 lost their farms due to mortgage foreclosures or tax delinquencies.

"Soaking the Poor," by Dayton D. McKean of the faculty of Princeton University and member of New Jersey legislature *New Republic*, September 11th. The sales tax now provided by law in 24 states (with 11 others having related types of taxes) is "a kind of gross income tax that falls upon the payer in inverse proportion to income." Mabel L. Walker of the General Welfare Tax League, using as a basis statistics on the consumers' market collected by the *Business Week*, has shown that a worker with an income of \$1,000 a year spends 60.9% of it for commodities upon which the tax falls, while a man with an income of \$1,000,000 will spend only 1% of it in taxable purchases. If the tax is 2% and includes food, the \$1,000-worker will pay \$12, and the multimillionaire 20c per thousand of his dollars. In six states the tax is now 3%, so that the \$1,000-worker pays \$18.20. The actual rate on small purchases may be as much as 20%. The rich devise ways to escape the tax.

Favoring the Rich. See analysis of the inequalities in the distribution of wealth and the burden of taxation, prepared by Robert H. Jackson, counsel to the Internal Revenue Bureau, and presented in a hearing of the Senate Finance Committee. The *New Republic*, August 28th. In 1930, 68.2% of the receipts of the national treasury came from the well-to-do; 31.8% from customs and miscellaneous taxes which fell most heavily upon the mass of consumers. By 1933 the ratio had been reversed—41.7% came from the rich; 58.3% from the mass of consumers. The trend has continued. By 1935 the percentages were respectively 38.7% and 61.3%. (This and companion article in the Sept. 4 issue should be consulted for much data on wealth concentration.)

"How Much Social Security?"—editorial, *New Republic*, July 3rd. The omnibus social security bill (10 separate appropriations for 10 categories of need) makes some sort of beginning at unemployment insurance and national old age pensions. But in drafting it the administration failed either to draw on the experience of other civilized countries or to listen to our own experts. The policy of grants-in-aid to states which make certain pension and welfare provisions for certain classes is sound, though the bill fails to make desirable standards a condition of receiving the grants. The tax offset provision of unemployment insurance providing for duplicate national and state systems is probably both unworkable and unconstitutional; and it favors the employer unduly. The most questionable part of the bill is that which provides for a national system of compulsory old age insurance. The funds are to be found in taxes, to be paid solely by employers and employees in equal shares—an ultimate contribution of 6% of wages, to reach its peak within 12 years. This means the quick amassing of huge reserves—an estimated \$10,000,000,000 by 1949 and \$32,000,000,000 by 1970. This will remove much purchasing power from immediate use. Also it will be a political football; create a serious investment problem; be a menace if inflation comes. It will tend "to freeze the depression and hamper recovery"; to place an unbearable burden on the workers; to relieve the wealthy of their centuries-old obligation for old age support. "No other government has ever dared to establish a system of this nature without some governmental aid." (The bill has now become law. Congress adjourned without making the necessary appropriations to carry it out.)

ON WAR

War Preparations. Summarized by Seymour Waldman in *Daily Worker*, July 27th. *Direct appropriations* (PWA official figures on its \$3,775,000,000 fund—for period from June, 1933 to April, 1935)—A. For War Department, \$126,784,660. B. For Navy Department, \$279,780,459. C. For National Advisory Committee for Aeronautics, \$725,583. Total \$407,290,702 (exclusive of \$346,405,787 for the War Department engineers "for rivers and harbors and flood control," a considerable part of which goes to channeling, dredging, surveying of ocean floors, etc., which serve military purposes). *Indirect*—For Emergency Conservation Corps, Panama

Canal and Coast Guard, \$349,689,055. Total, direct and indirect, out of the PWA fund, \$756,979,757. *Direct*—From new PWA funds for two heavy and twelve light destroyers, and six submarines authorized by the Vinson bill, \$40,000,000. *Congressional appropriations* for fiscal year beginning July 1, 1935, War Department, \$40,507,532; Navy Department, \$460,654,379. Total, \$870,161,911. (Other "deficiency appropriations" were pending when these figures were summarized.) From \$4,000,000,000 Works Fund for period from end of May to July 17, 1935: For CCC; for Navy Department and War Department (for direct war preparations); and for Coast Guard (now officered by Annapolis men) a total of \$351,055,042. Of this, over \$300,000,000 went to the CCC. Since then another \$300,000,000 has been allocated to it from this fund.

"Mr. Lansing's Unneutrality," editorial *New Republic*, September 4th. The neutrality discussion in Congress brought to light a letter written to President Wilson, September 6, 1915, by Secretary of State Lansing. He said that the Allies were paying for our munitions by mobilizing American securities held in their countries; that this means of payment was about exhausted; that their orders would cease unless they could float loans here. He noted the policy announced by his predecessor, Bryan, that loans to belligerents would be viewed with disfavor as not in harmony with "the true state of neutrality," but advised a reversal of the policy. This, he said, would not effect popular sentiment which "has become crystallized in favor of one or another of the belligerents." We could not afford to let the earlier declaration "stand in the way of our national interests which seem so seriously threatened." Lansing's advice was taken; our loans abroad did affect popular sentiment; we got into the war. The present bearing of the matter is that the recent session of Congress refused to accept legislation forbidding loans to belligerents, the argument being that further study of the question is necessary.

Add the cablegram sent by Ambassador Page from London to President Wilson on March 5, 1917. It predicted a crisis here if the Allies could not meet their payments on a \$400,000,000 loan made through J. P. Morgan's and added that "it is not improbable that the only way of maintaining our present preeminent trade position and averting a panic is by declaring war on Germany."

"Neutrality by Statute," by W. T. Stone of the Foreign Policy Association, *New Republic*, August 7. The chief resolutions on neutrality introduced into the last session of Congress had four basic objectives in common: an automatic embargo on shipments of arms and ammunition to belligerents in time of war; embargo on loans and credit; restriction of trade in contraband; limitation on travel by our citizens in war zones. Underlying them all were the assumptions that we can stay out of the next war if we want to; that legislation beforehand can keep us out; that the basic element is in our experience last time. But what constitutes arms and ammunitions? What is contraband? Does not "the very nature of our capitalist economy" limit the power of government to interfere with private trade and commerce—as President Jefferson found out when he tried it? If such a policy could have kept us out of the last war, would it keep us out of the next one? The neutrality program has European entanglements in mind, but all of our war preparations look toward the Far East.

The New Neutrality Law. The Act which the President has just signed requires him to put an embargo on the export of arms, ammunition and the implements of war to all belligerents if war comes within the next six months. The *Information Service* of the Federal Council of Churches, September 14, summarizes and notes that the resolution ignores the important matters of loans and credits to belligerents and contraband, though "the experience of the World War shows that trade in cotton, wheat and raw materials which the belligerents classed as contraband, may raise as important questions as the trade in armaments."

"The Suez Canal and League Sanctions," A study made by Raymond Buell of the Foreign Policy Association for the Geneva Research Center. Summarized in the *New York Times*, August 28th, by Clarence K. Streit, and in the *Nation*, September 11th, which gives the gist of it as follows: "It is an open question, for example, whether the convention of 1888 providing that the canal shall be 'free and open in time of war to every vessel of commerce or war' is still in force today. The Constantinople convention containing this provision also specified that the canal's defense should, in the last instance, be referred to the concert of European nations. But in 1914 the British government established a protectorate over Egypt and closed the canal to enemy warships. This protectorate was legally ended in 1922, subject to a reservation leaving the defense of the canal in British hands. The canal is now under the territorial jurisdiction of Egypt, which is not a member of the League and which did not accede to the convention of 1888." Buell's conclusion is that probably the many legal uncertainties "will be resolved on the side of the parties in the present dispute showing the greatest will."

On the Ethiopian Question: Besides editorials and articles in current press, "Imperialist Rivalries in Ethiopia" by Wm. Koren, Jr.—a report for Foreign Policy Association (8 W. 40th St., New York, 25c). For left-wing interpretation, "Abyssinia—The Thieves Fall Out" by Lester Hutchinson in *Labour Monthly* (Workers Bookshop, 50 E. 13th St., New York).

ON FASCISM

"The Development of Fascism in the United States," by Harry F. Ward, in the *An-*

nals of the American Academy of Political and Social Science, July. (Reprint, our office, 10c.) "Since state power is finally the expression and enforcement of economic power, the historic significance of Fascism is that it is a change in the form of the state for the purpose of preserving the present economic order and maintaining the power of the dominant capitalist forces." Here in the United States this process is to be seen especially in the continuation and the speeding up under the Roosevelt administration of the "tandem development" of the concentration of economic power and the consolidation of political power. Here (and in England) democratic forms are being used as yet (now, in capitalism's decline, to protect the investment structure, as in the days of capitalist expansion they were used to secure and hold markets for our goods and investments)

But if a complete breakdown of security occurs, or if war comes, we may expect popular sanction for the completely repressive political form of Fascism—directed especially against labor organization. (Already its premonitory symptoms are here in the violence—by public as well as private forces—that is displayed against striking workers.) War will quite certainly come first. "It is then that we shall find out whether there is now within the American nation the capacity to carry over the principles of democracy to the control of our economic life for further cultural advance, or whether, uncommon with the rest of the capitalist world, we must enter into a period of decay—in body, mind and spirit."

"The Crisis of the Middle Class" by Lewis Corey, the *Nation*, August 14, 21 and 28. Monopoly capitalism increasingly squeezed out the small independent enterpriser (intimately linked with "democracy") and at the same time created a big, "new" middle class of salaried employees. About one in four in the middle class in 1930 was an independent enterpriser; sixty years ago three out of four. In 1930 to 1932, one out of six independent enterprisers and professionals was crowded out, and the process continues. The "new" middle class, along with workers, faces permanent unemployment. Both middle class groups furnish soil for the fascist demagogue who appeals to their inherited property sense.

If the middle class ("democracy" failing it) takes the way of Fascism, throwing in its lot finally with the big bourgeoisie (now looking to the state to save their position and property) against rising labor, it comes into a worse plight: the small enterpriser finds even less security; the salaried employees get more unemployment and lower living standards. Developments in both Italy and Germany show this clearly. (See article for detail.)

The other path open to the middle class is Socialism, three elements of which are already here: capacity of industry to produce abundance; collective forms of economic activity ("industry is collective, but appropriation is still individual."); propertyless masses—88% of the people, including more than two-thirds of the middle class. It is to the interest of the latter—the "new" middle class is in fact a 'new' proletariat in origin and function—to side with the workers to achieve that change in property relations which will convert the corporate form of capitalism into socialism. This calls for the discarding of the inherited middle-class allegiance—"an ideological break which is the whole problem" of rallying this class to the job.

For Nazi Doctrines. A Berlin dispatch of September 10 to the *New York Times* quotes a cable sent by the Friends of the New Germany from their recent meeting in New York to the headquarters of the Association of Germans Abroad as follows, in part: "We assure you we feel ourselves enrolled on a world-wide front of racial and historical unity of all Germans. We recognize as our duty the awakening and unifying of all German-Americans in strong cultural, political and economic activities and racial unity on the basis of Nazi doctrines for the best interests of two friendly nations, Germany and America."

Growing Repression. The "Land of the Free," the 1934-35 report of the American Civil Liberties Union starts this way: "Of all the many-sided aspects of civil liberty the attack on workers' rights not only took first place during the year, as it does every year, but it far outdistanced any other aspect. . . . The resistance of employers to trade union organization . . . resulted in a crop of strikes unparalleled in the violence which marked the efforts to break them . . . In these struggles scores of workers were killed and wounded on the picket lines, hundreds arrested, hundreds more attacked by gunmen or vigilantes, who made their appearance openly for the first time in years, and scores imprisoned." See summaries of present and proposed gag laws, state and federal, prepared by Samuel Paul Piner, in *New Republic*, June 26. Supplement with the A. C. L. U.'s release of September 6th, announcing continuation of the fight in the next Congress against this repressive legislation, and also describing a program of "must" laws for the protection of our guaranteed freedoms.

The results of the Leaders' Retreat held in Pittsburgh September 18 and 19, and further plans for the regional conferences will be reported in the October BULLETIN.

Our 18 Crisis Leaflets will form the basis of discussion at the regional conferences. We suggest that those planning to attend send to the office soon for the set. (20c, plus 1½c for postage.) Add 1c for leaflet "Fascism Threatens the Church," by Herman F. Reissig.

A \$1 membership brings this Bulletin once a month, except in July and August.